

Message Text

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SS-15 STR-04 OMB-01 CEA-01 CIAE-00 FRB-01 INR-07
NSAE-00 XMB-04 OPIC-06 LAB-04 SIL-01 AGRE-00
FEAE-00 DODE-00 PM-04 H-02 L-03 PA-02 PRS-01
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O R 181705Z MAY 77 ZFF 4
FM AMEMBASSY LONDON
TO SECSTATE WASHDC IMMEDIATE 4029
TREASURY DEPT WASHDC IMMEDIATE
INFO AMEMBASSY BONN
AMEMBASSY BRUSSELS
AMEMBASSY DUBLIN
AMEMBASSY NEW DELHI
AMEMBASSY PARIS
AMEMBASSY ROME
AMEMBASSY TOKYO
AMCONSUL BELFAST
AMCONSUL EDINBURGH
USMISSION EC BRUSSELS
USMISSION OECD PARIS
USDEL MTN GENEVA
USDOC WASHDC

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DEPARTMENT PASS FEDERAL RESERVE BOARD

TREASURY FOR DONALD E. SYVRUD, OASIA

E.O. 11652: N/A
TAGS: ECON, UK
SUBJECT: ECONOMIC DEVELOPMENTS FOR PERIOD MAY 12 -18

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SUMMARY: ALTHOUGH THE APRIL CURRENT ACCOUNT SHOWED A SUB
STANTIAL SURPLUS. OTHER ECONOMIC INDICATORS WERE LESS
BUOYANT. INDUSTRIAL PRODUCTION AND RETAIL SALES VOLUME
ROSE SLUGGISHLY. AVERAGE EARNINGS SHOWED AN UNEXPECTEDLY
LARGE RISE IN MARCH. THE CHANCELLOR CONTINUED TO STRESS
THE NEED TO USE NORTH SEA OIL RESOURCES TO REVITALIZE
MANUFACTURING INDUSTRY. OIL COMPANIES IN THE U K. WILL

BE ALLOWED TO REDUCE INVENTORIES FROM 85 TO 75 DAYS' WORTH OF IMPORTS. ON THE FINANCIAL FRONT, THE BANK OF ENGLAND CONTINUED THE "CORSET" REGULATIONS FOR A FURTHER 6 MONTHS. THE FIRST FLOATING RATE GILT WILL BE ANNOUNCED ON MAY 27. INTEREST RATES CONTINUED TO DECLINE, ALTHOUGH MORE STEEPLY AT THE LONG END OF THE MARKET. THE FIRST DOLLAR DENOMINATED ECGD GUARANTEED EXPORT CREDIT HAS BEEN ARRANGED. END SUMMARY.

1. THE CURRENT ACCOUNT IS ESTIMATED TO HAVE BEEN 111 MILLION POUNDS IN SURPLUS IN APRIL. THIS IS THE THIRD SUCCESSIVE MONTH THAT THE CURRENT ACCOUNT HAS BEEN IN SURPLUS OR NEAR BALANCE. OVERSEAS TRADE STATISTICS SHOW THAT NON-OIL EXPORT VOLUME ROSE BY 6.7 PERCENT DURING THE MONTH, THE FIRST SIGNIFICANT RISE ABOVE LEVELS ESTABLISHED LAST FALL. A 5 PERCENT INCREASE STILL LEFT THE NON-OIL IMPORT VOLUME AT LAST FALL'S LEVELS (SEE LONDON 7973).

2. FRIDAY'S ANNOUNCEMENT OF CURRENT ACCOUNT SURPLUS LED TO PRESS SPECULATION THAT THE AUTUMN AND END OF YEAR DRAWINGS ON THE \$3.9 BILLION IMF CREDIT MIGHT BE CANCELLED OR REDUCED (SEE LONDON 8026).

3. THE MEDIUM TAP STOCK, THE EXCHEQUER 9-1/4 PERCENT 1982, WAS EXHAUSTED IN HEAVY BUYING ON FRIDAY MORNING. PAYMENTS TO THE GOVERNMENT FOR THIS STOCK ARE MADE IN INSTALLMENTS SO THAT THE DRAIN ON LIQUIDITY BY THE 800 MILLION POUND PAR VALUE ISSUE IS BEING SPREAD OVER SEVERAL MONTHS. THE FINAL INSTALLMENT, OF OVER HALF THE TOTAL UNCLASSIFIED

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PRICE, IS DUE JULY 4.

4. THE TREASURY ANNOUNCED ON MONDAY, MAY 16 THAT THE GOVERNMENT BROKER WILL BEGIN TO SELL A 400 MILLION POUND FLOATING INTEREST RATE BOND AT THE END OF THIS MONTH. DETAILS OF THE BOND HAVE NOT BEEN ANNOUNCED; HOWEVER, THE PROSPECTUS WILL BE PUBLISHED MAY 27. THE PUBLIC WILL NOT BE ABLE TO SUBSCRIBE TO THE GILT, ALL SALES BEING CARRIED OUT BY THE GOVERNMENT BROKER. MARKET SOURCES SPECULATE THAT THE LIKELY MATURITY WILL BE IN THE RANGE OF FOUR TO SEVEN YEARS.

5. THE BANK OF ENGLAND ANNOUNCED THAT THE "CORSET" WILL BE EXTENDED SIX MONTHS. THE "CORSET" REGULATES THE GROWTH OF THE BANKING SYSTEM'S INTEREST-BEARING ELIGIBLE LIABILITIES (IBELS) BY REQUIRING BANKS TO MAINTAIN PROGRESSIVELY LARGER INTEREST-FREE DEPOSITS WITH THE BANK OF ENGLAND AS THE GROWTH IN IBELS EXCEEDS SPECIFIED LEVELS. THE PENALTY-FREE LEVEL OF IBELS WILL CONTINUE TO

INCREASE AT 1/2 PERCENT PER MONTH. THE BANKING SYSTEM IS
CURRENTLY 5 PERCENT BELOW THE PENALTY.FREE LEVEL SO THE

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PRS-01 IGA-02 /124 W
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O R 181705Z MAY 77 ZFF 4
FM AMEMBASSY LONDON
TO SECSTATE WASHDC IMMEDIATE 4030
TREASURY DEPT WASHDC IMMEDIATE
INFO AMEMBASSY BONN
AMEMBASSY BRUSSELS
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CORSET IS NOT ANTICIPATED TO RESTRICT THE GROWTH OF
IBELS AT LEAST OVER THE NEXT FEW MONTHS.

6. INTEREST RATES HAVE CONTINUED TO FALL. WITH PARTICU-
LARLY SHARP DECLINES IN LONG-TERM REDEMPTION YIELDS.
SHORT-TERM INTEREST RATES DECLINED ON THE ORDER OF 1/4
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PERCENT OVER THE WEEK. WHILE LONG-TERM GILT YIELDS FELL OVER 1/2 PERCENT. THE LARGE FALL IN GILT YIELDS CAME AFTER THE NEW FLOATING INTEREST GILT WAS ANNOUNCED. MARKET SOURCES INDICATE THAT THE SIZE OF THE ISSUE WAS SMALLER THAN ANTICIPATED WHILE SELLING THE ENTIRE ISSUE THROUGH THE GOVERNMENT BROKER SHOULD SLOW THE RATE AT WHICH THE NEW ISSUE APPEARS IN THE MARKET. THESE SOURCES CONSEQUENTLY FELT THAT THE OUTSTANDING STOCK OF GILTS, PARTICULARLY THOSE WITH HIGH COUPONS, WOULD NOT INCREASE MATERIALLY IN THE COMING WEEKS.

7. NET RECEIPTS OF BUILDING SOCIETIES WERE A RECORD 475 MILLION POUNDS IN APRIL. NET RECEIPTS, AT EXTREMELY LOW LEVELS AT THE END OF 1976, HAVE BEEN GROWING AS THE INTEREST PAID BY CLEARING BANKS HAS FALLEN RELATIVE TO THE RATES PAID BY BUILDING SOCIETIES. THIS RESULT HAS STRENGTHENED MARKET EXPECTATIONS OF A FURTHER DECLINE IN MORTGAGE RATES. IN APRIL THE MORTGAGE RATE FELL FROM 12-1/4 PERCENT TO 11-1/4 PERCENT WHILE THE INVESTOR'S RATE DROPPED FROM 7.8 PERCENT NET OF TAX WITHHOLDING TO 7 PERCENT NET.

8. INDUSTRIAL PRODUCTION. INDUSTRIAL PRODUCTION ROSE SLIGHTLY IN MARCH DESPITE THE ADVERSE EFFECT OF A STRIKE AT BRITISH LEYLAND. THE INDEX OF INDUSTRIAL PRODUCTION (1970 EQUALS 100) STOOD AT 104.3 IN MARCH. A RISE OF 0.3 PERCENT FROM THE FEBRUARY FIGURE OF 104.0. THE NARROWER INDEX OF MANUFACTURING PRODUCTION ROSE 0.5 PERCENT TO 105.7 FROM ITS FEBRUARY LEVEL OF 105.2. BETWEEN THE FOURTH QUARTER OF 1976 AND THE FIRST QUARTER OF 1977, INDUSTRIAL AND MANUFACTURING OUTPUT INCREASED BY 1.0 AND 0.5 PERCENT RESPECTIVELY. A MARKED SLOWING FROM THE 1.7 AND 1.1 PERCENT GAINS ACHIEVED BETWEEN THE THIRD AND FOURTH QUARTERS OF 1976. NEVERTHELESS, MANUFACTURING PRODUCTION IN THE FIRST QUARTER SUSTAINED ITS BEST LEVEL SINCE THE FIRST QUARTER OF 1975. THIS WAS LARGELY DUE TO

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A 2.0 PERCENT RISE IN THE OUTPUT IN THE ENGINEERING SECTOR WHICH ACCOUNTS FOR OVER 40 PERCENT OF TOTAL MANUFACTURING. AS EXPECTED, MINING AND QUARRYING, BUOYED BY NORTH SEA OIL, CONTINUES TO RISE SHARPLY. THIS SECTOR REGISTERED A 6.7 PERCENT INCREASE IN THE FIRST QUARTER OF 1977 BRINGING THE TOTAL INCREASE SINCE THE FIRST QUARTER OF 1976 TO 16.1 PERCENT.

WHEN THE INDUSTRIAL PRODUCTION FIGURES ARE DISAGGREGATED ON A MARKET SECTOR BASIS, NEARLY ALL OF THE FIRST QUARTER GROWTH OCCURRED IN INVESTMENT GOODS INDUSTRIES WHICH EXPERIENCED A RISE IN OUTPUT OF 2.2 PERCENT OVER THE FOURTH QUARTER OF 1976. CONSUMER GOODS (UP 0.4 PERCENT) AND INTERMEDIATE GOODS (UP 0.3 PERCENT) INDUSTRIES ROSE MORE SLUGGISHLY.

9. RETAIL SALES. THE DECLINE IN RETAIL SALES VOLUME DURING THE FIRST QUARTER MAY HAVE BEGUN TO EASE SLIGHTLY IN APRIL. THE INDEX OF RETAIL SALES VOLUME (1971 EQUALS 100) WAS PROVISIONALLY ESTIMATED AT 104.0, A RISE OF 0.8 PERCENT FROM THE MARCH FIGURE OF 103.1. ON THIS BASIS, RETAIL SALES VOLUME DECLINED BY 3.5 PERCENT BETWEEN THE THREE MONTHS ENDING IN APRIL AND THE PREVIOUS THREE-MONTH PERIOD, AND CURRENTLY STAND AT A LEVEL LOWER THAN ANY COMPARABLE PERIOD SINCE THE SECOND QUARTER OF 1972. THE PROVISIONAL APRIL INDEX IS 3.7 PERCENT LOWER THAN ITS LEVEL OF APRIL 1976. GIVEN FIRST QUARTER CONSUMER EXPENDITURE FIGURES WHICH SHOWED A DECLINE OF 2 PERCENT IN VOLUME TERMS, THE APRIL RETAIL SALES VOLUME INDEX CERTAINLY DOES NOT INDICATE ANY MARKED RESURGENCE OF BUYING.

10. HEALEY ON GROWTH AND WAGES. IN AN ADDRESS TO THE ANNUAL DINNER OF THE CONFEDERATION OF BRITISH INDUSTRIES (CBI), THE CHANCELLOR OF THE EXCHEQUER SPOKE OF THE BENEFITS OF NORTH SEA OIL. WHILE HE REPEATED THE VIEW THAT THESE BENEFITS MUST NOT BE USED TO FINANCE A SHORT-LIVED INCREASE IN THE LEVEL OF CONSUMPTION, HE ALSO SAID

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THAT THE ECONOMY COULD NOW BE RUN AT A HIGHER LEVEL OF ACTIVITY AND EMPLOYMENT WITHOUT RUNNING INTO BALANCE OF PAYMENTS CONSTRAINTS. HE SAID "WE MUST SEE THAT THIS INVESTMENT (MADE POSSIBLE BY NORTH SEA OIL) IS DIRECTED TOWARD RELIEVING PRODUCTION BOTTLENECKS IN KEY SECTORS . . . SO THAT IN FUTURE OUR RATE OF GROWTH IS LESS SUP-

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EPG-02 SS-15 STR-04 OMB-01 CEA-01 CIAE-00 FRB-01
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AGRE-00 FEAE-00 DODE-00 PM-04 H-02 L-03 PA-02
PRS-01 IGA-02 /124 W
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O R 181705Z MAY 77 ZFF 4
FM AMEMBASSY LONDON
TO SECSTATE WASHDC IMMEDIATE 4031
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INFO AMEMBASSY BONN
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PLY CONSTRAINED. AND TOWARD RAISING THE COMPETITIVE PERFORMANCE OF MANUFACTURING INDUSTRY AS A WHOLE."

WITH REGARD TO INCOMES POLICY, THE CHANCELLOR SAID LITTLE SPECIFIC ABOUT THE SHAPE OF PHASE THREE. HE DID, HOWEVER, SPEAK OF A MORE FLEXIBLE PAY POLICY WHICH WOULD PLACE HEAVY RESPONSIBILITY ON EMPLOYERS TO SEE THAT THIS
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FLEXIBILITY WAS NOT ABUSED BEYOND PHASE THREE, THE CHANCELLOR SAID THAT HE AGREED WITH THE CBI PROPOSAL THAT BRITAIN SHOULD EMULATE THE PAY BARGAINING SYSTEMS OPERATING IN GERMANY. AUSTRIA AND SCANDINAVIA. REACTING TO MR. HEALEY'S REMARKS IN A RADIO INTERVIEW, CBI DIRECTOR-GENERAL JOHN METHVEN SAID THAT INDUSTRY'S RELATIVELY WEAK PROFIT BASE WOULD INSURE THAT EMPLOYERS WOULD RESIST THE TEMPTATION TO ABUSE THE FLEXIBILITY OF ANY NEW INCOMES POLICY HE PLACED THE ONUS ON GOVERNMENT TO ESTABLISH A FIRM PAY POLICY IN THE PUBLIC SECTOR AND SET THE TONE FOR

PHASE THREE.

11. REDUCTION IN REQUIRED OIL STOCKS. PRESS REPORTS INDICATE THAT ENERGY SECRETARY TONY BENN HAS REDUCED THE REQUIRED LEVEL OF UK OIL COMPANY INVENTORIES FROM THE EQUIVALENT OF 85 DAYS IMPORTS TO 75 DAYS IMPORTS. THIS REDUCTION WAS BROUGHT ABOUT BY SHARPLY RISING NORTH SEA OIL PRODUCTION WHICH, ACCORDING TO EEC REGULATIONS, ENTITLES BRITAIN TO REDUCE INVENTORIES BY 15 PERCENT. THESE REGULATIONS ARE SAID TO CONFLICT WITH BRITAIN'S IEA OBLIGATIONS WHICH ALLOW BRITAIN TO DISCOUNT ALL OF ITS NORTH SEA OUTPUT AGAINST THE STORAGE REQUIREMENT.

AT CURRENT DAILY LEVELS OF CONSUMPTION. A 10-DAY REDUCTION IN STOCKS REPRESENTS 2-1/4 MILLION TONS OF CRUDE OIL WORTH ABOUT 125 MILLION POUNDS. SHOULD THIS ADJUSTMENT BE CARRIED OUT, A REDUCTION IN THE NET OIL DEFICIT COULD AID THE CURRENT ACCOUNT.

12. CENTRAL GOVERNMENT BORROWING. THE FOLLOWING TABLE SUMMARIZES CENTRAL GOVERNMENT FINANCIAL TRANSACTIONS FOR APRIL 1977, THE FIRST MONTH OF FY 1977/78

	POUNDS MILLION	1977-78		
	1976-77	BUDGET	APRIL	
CONSOLIDATED FUND	OUTTURN	FORECAST	1976	1977
REVENUE	33.778	37.742	2.725	3.064
EXPENDITURE	39,372	43.489	2,994	3.189

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DEFICIT -5.594 -5,747 - 269 - 125

NATIONAL LOANS FUND (1)

CONSOLIDATED FUND DEF-

ICIT (AS ABOVE) -5,594 -5.747 - 269 - 125

OTHER TRANSACTIONS:

RECEIPTS 4'534 5,300 290 256

PAYMENTS -5,474 -7,188 - 316 - 756

TOTAL NET BORROWING BY

NATIONAL LOANS

FUND -6,534 -7,635 - 295 - 625

OTHER FUNDS AND

ACCOUNTS 688 (2) 776 35 67

CENTRAL GOVERNMENT

BORROWING REQUIRE-

MENT -5,846 -6.859 - 260 - 558

(1) - EXCLUDING NATIONAL DEBT AND OTHER TRANSACTIONS CONCERNED WITH THE FINANCING OF THE BORROWING REQUIREMENT.

(2) LATEST ESTIMATE.

AS REPORTED. AN INCREASE OF 350 MILLION POUNDS IN LOCAL AUTHORITY BORROWING WAS THE CAUSE OF THE HIGHER CENTRAL GOVERNMENT BORROWING REQUIREMENT. THE MOST INTERESTING

ELEMENT IN THE TABLE IS THE CONSOLIDATED FUND. THIS MEASURES CURRENT REVENUES AND EXPENDITURES OF CENTRAL GOVERNMENT. IT INDICATES THAT APRIL 1977 REVENUES WERE 12.4 PERCENT ABOVE APRIL 1976 WHILE EXPENDITURES HAVE RISEN BY 6.5 PERCENT. WHILE THE REVENUE FIGURE IS RUNNING SLIGHTLY AHEAD OF BUDGET PROJECTIONS. THE EXPENDITURE FIGURE IS A FULL 4 PERCENTAGE POINTS BELOW THE 10.5 PERCENT INCREASE BUDGETED FOR THE FISCAL YEAR. WHILE THE EXPENDITURE PROFILE MAY VARY FROM MONTH TO MONTH THE APRIL FIGURES MAY INDICATE THAT THE NEW CASH LIMIT SYSTEM IS CONTINUING TO RESTRAIN CENTRAL GOVERNMENT EXPENDITURE.

13. AVERAGE EARNINGS. PRETAX AVERAGE EARNINGS ROSE
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SHARPLY IN MARCH. THE INDEX OF AVERAGE EARNINGS (S.A., JANUARY 1970 EQUALS 100) GAINED 1.9 PERCENT STANDING AT 283.9 COMPARED WITH A REVISED FEBRUARY FIGURE OF 278.7. IN THE YEAR TO MARCH. AVERAGE EARNINGS ROSE 11.6 PERCENT. ACCORDING TO A DEPARTMENT OF EMPLOYMENT SPOKESPERSON. THE MARCH INCREASE, THE LARGEST RECORDED DURING THE SECOND

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PRS-01 IGA-02 /124 W

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O R 181705Z MAY 77 ZFF 4
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YEAR OF INCOMES POLICY WAS LARGELY THE RESULT OF END-OF-TAX-YEAR BONUSES IN SEVERAL INDUSTRIES. IN THIS SENSE. THE MARCH INCREASE RESEMBLES BOTH THE 1.8 PERCENT RISE IN DECEMBER 1976 WHICH CONTAINED END-OF-CALENDAR-YEAR BONUSES AND THE 1.8 PERCENT MARCH 1976 RISE. IT BRINGS THE INCREASE IN AVERAGE EARNINGS SINCE THE AUGUST 1, 1976 BE-
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GINNING OF PHASE TWO OF THE INCOMES POLICY TO 7.9 PERCENT THIS IS THE FIGURE TO WHICH THE GOVERNMENT HAD ORIGINALLY HOPED TO LIMIT THE RISE IN AVERAGE EARNINGS DURING ALL OF PHASE TWO. HOWEVER, ON APRIL 22, 1977 THE CHANCELLOR ALTERED THIS GOAL TO A PHASE TWO EARNINGS RISE WHICH WOULD NOT EXCEED SINGLE FIGURES. THE DEPARTMENT OF EMPLOYMENT SOURCE DID NOT EXPECT THE MARCH FIGURES TO JEOPARDIZE THIS OUTCOME. THE RISE IN AVERAGE EARNINGS EXCEEDED THE RISE IN RETAIL PRICES IN MARCH FOR THE FIRST TIME SINCE AUGUST 1976. NEVERTHELESS, REAL PRETAX EARNINGS HAVE FALLEN BY 4.2 PERCENT SINCE THEN WITH THE AFTER-TAX FALL BEING EVEN LARGER.

14. FOREIGN CURRENCY FINANCE OF U.K. TRADE. TWO LARGE CONTRACTS WERE ANNOUNCED ON MAY 18, INVOLVING FOREIGN CURRENCY TENDERS FOR U.K. EXPORTS. THE SMALLER CONTRACT IS A \$40 MILLION LOAN TO DUBAI, TO FINANCE THE EXPORT FROM THE U.K. OF CAPITAL EQUIPMENT TO CONTRACT A GAS GATHERING AND TREATMENT PLANT. THIS IS THE FIRST BRITISH EXPORT CREDIT NEGOTIATED UNDER THE EXPORT CREDIT GUARANTEE DEPARTMENT'S FOREIGN CURRENCY FINANCE ARRANGEMENTS.

A LARGER DEAL OF 147 MILLION POUNDS, WAS CONCLUDED BETWEEN THE USSR AND DAVY POWERGAS TO SUPPLY THE USSR WITH TWO LARGE METHANOL PLANTS (USING ICI TECHNOLOGY). MANY OF THE DETAILS OF A COMPLEX FINANCIAL PACKAGE ARE STILL BEING

WORKED OUT. THE COST OF THE PLANT IS TO BE MET BY SALES OF METHANOL ON THE WORLD MARKET, INCLUDING THOSE UNDER BUY-BACK AGREEMENTS BETWEEN THE USSR AND ICI. THE CONTRACT WAS INITIALLY TENDERED IN POUNDS, BUT DAVY FELT IT WAS ABLE TO REDUCE THE SPOT DOLLAR PRICE BY SWITCHING TO A DOLLAR TENDER. MORGAN GRENFELL WORKED OUT A FINANCIAL PACKAGE THROUGH WHICH DAVY WOULD SELL ITS DOLLAR RECEIPTS FORWARD OVER THE TIME OF DELIVERY TO THE PLANTS.

15 EXCHANGE RATE AND GOLD EFFECTIVE
EXCHANGE RATE

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	EXCHANGE (DEC. 1971		GOLD
DATE	RATE (\$) EQUALS 100)		(\$)
5/11	1.7198	61.8	147-7/8
5/12	1.7191	61.8	146-5/8
5/13	1.7188	61.7	148-1/8
5/16	1.7189	61.7	147-7/8
5/17	1.7188	61.7	147-7/8

CHANGE 5/10-5/17 DOWN 0.0005 UNCHANGED UNCHANGED

16. FORWARD DISCOUNT ON STERLING

DATE	1 MONTH	3 MONTHS	6 MONTH
5/11	0.37	1.18	2.47
5/12	0.32	1.10	2.37
5/13	0.25	1.00	2.27
5*- (0.27	0.85	1.92
5/17	0.25	0.78	1.88

CHANGE 5/10-5/17 NAR 0.17 NAR. 0.44 NAR. 0.84
(ALL FIGURES IN CENTS)

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INR-07 NSAE-00 XMB-04 OPIC-06 LAB-04 SIL-01
 AGRE-00 FEAE-00 DODE-00 PM-04 H-02 L-03 PA-02
 PRS-01 IGA-02 /124 W

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17. EURODOLLAR INTEREST RJNBS

DATE	1 MONTH	3 MONTHS	6 MONTHS
5/11	5-3/8	5-7/8	6-1 4
5/12	5-1/2	5-7/8	6-3/8
5/13	5-7/8	5-7/8	6-1/4

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5/16	5	5-3/4	6-1/8
5/17	5-1/2	5-7/8	6-1/8

CHANGE 5/10-5/17 UP 1/8 UNCHANGED UP 1/8

18. THREE-MONTH LONDON INTERBANK - EURODOLLAR INTEREST
 RATE DIFFERENTIAL

DATE	
5/11	1-27/32
5/12	1-29/32
5/13	1-3/4
5/16	1-13/16
5/L7	1-9/16

CHANGE 5/10-5/17 NARROWED 1/4

19. STERLING CERTIFICATES OF DEPOSIT

DATE

5/11	7-1/2	7-11/16	8-11/64
5/12	7-17/32	7-11/16	8-9/64
5/13	7-7/32	7-17/32	8-3/64
5/16	7-5/32	7-1/2	7-15/16
5 17	7-3/16	7-7/16	7-27/32

CHANGE 5/10-5/17 DOWN 9/32 DOWN 1/4 DOWN 9/32

20. THE MINIMUM LENDING RATE (MLR) FELL 1/4 PERCENT ON MAY 13, TO 8 PERCENT, AS THE BANK OF ENGLAND ALLOWED THE TREASURY BILL RATE-BASED FORMULA TO BECOME OPERATIVE AGAIN. THE TREASURY BILL RATE, AT LAST FRIDAY'S AUCTION FELL 0.0126 PERCENT TO 7.4031 PERCENT AS 860.75 MILLION POUNDS IN BIDS WERE RECEIVED FOR THE 350 MILLION POUNDS TENDERED. THIS WEEK 400 MILLION POUNDS IN BILLS WILL BE OFFERED TO REPLACE 300 MILLION POUNDS MATURING.

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Message Attributes

Automatic Decaptioning: X
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Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01-Jan-1960 12:00:00 am
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977LONDON08223
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770177-0098
Format: TEL
From: LONDON
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770544/aaaabmee.tel
Line Count: 619
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 3cd8e390-c288-dd11-92da-001cc4696bcc
Office: ACTION EUR
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 12
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 24-Jan-2005 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2472904
Secure: OPEN
Status: NATIVE
Subject: ECONOMIC DEVELOPMENTS FOR PERIOD MAY 12 -18 UNCLASSIFIED UNCLASSIFIED
TAGS: ECON, UK
To: STATE TRSY
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/3cd8e390-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009